

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
PINNACLE CONFERENCE ROOM AT HUMAN RESOURCES
7575 EAST MAIN STREET
SCOTTSDALE, ARIZONA 85251
FEBRUARY 15, 2011
SPECIAL MEETING
APPROVED MINUTES**

PRESENT: Kate Birchler, Chairwoman
Mike Surguine, Vice Chairman
Ace Bailey, Commissioner
Kathleen Glenn, Commissioner
David Richard, Commissioner

ABSENT: Michael Hoffman, Commissioner
Leon Young, Commissioner

STAFF: Steve Geiogamah, Tourism Development Coordinator
Carrie Wilhelme, Senior Planner/Project Manager
Harold Stewart, Economic Vitality Manager
Lee Guillory, Finance Manager

GUESTS: Rachel Sacco, SCVB

1. Call to Order/Roll Call

Noting the presence of a quorum, Chairwoman Birchler called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:07 a.m.

2. Approval of Minutes

- January 31, 2011 Regular Meeting

COMMISSIONER RICHARD MOVED TO APPROVE THE MINUTES OF THE JANUARY 31, 2011 REGULAR MEETING AS AMENDED. COMMISSIONER BAILEY SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

3. Manager's Report

- a. Staff Bed Tax Collection Report

Mr. Geiogamah reported on December bed tax collections. Scottsdale saw an 8% increase in bed tax over last year. Sales tax from the hotel/motel sector increased by 13%. Miscellaneous retail sales tax increased by 16%. The restaurant sales tax was up 7%. The YTD bed tax was up 4%. Resorts were up 6.7%, while the limited service sector was up 5.7%. Commissioner Richard reported that March could be a strong

month. The situation appears better than last year. Vice Chairman Surguine said January was very good. Chairwoman Birchler reported that the retail sector did well in December. Sales gained momentum by the end of the month. Ms. Guillory noted that the retail numbers do not include automobile sales tax.

Vice Chairman Surguine inquired whether the report reflects taxes at the time they are paid to the City, or when sales are generated at the stores. Ms. Guillory responded that it reflects collections. Some of the payments, about \$27,000 worth, were for months prior to December activity from July through November. This factor drops the year-over-year increase from 8% to 5%. Mr. Stewart noted that there is a 30-day lag. Businesses that owe money in December do not have to pay it until the end of January.

Commissioner Bailey reported seeing an increase in inquiries for tours and events. Tours are bought on a much more regular basis now. Commissioner Glenn noted that business is arriving in smaller groups and for shorter lengths of time, and they are working with smaller budgets. However, the number of guests and programs far exceeds last year.

b. Bed Tax Proforma

Mr. Geiogamah reported little change to the proforma. The only format change was a move in the anticipated expense for trolley services from capital projects to event retention and development.

Vice Chairman Surguine inquired about the large discrepancy between the net tourism program for the year, and the amount collected thus far. Ms. Guillory explained that bed tax revenues are very seasonal. The majority come in between February and April.

c. Smith Travel Report

Vice Chairman Surguine inquired about the forecasting methodology. Ms. Guillory responded that forecasts are done by the sales tax audit group, along with Mr. Geiogamah and herself. Vice Chairman Surguine said the most recent forecasts have been more consistent than in the past. Ms. Sacco said the STAR report requires extra work to get solid information on Scottsdale specifically. She volunteered the CVB's resources to help generate solid numbers. Chairwoman Birchler suggested bringing together a small group of hoteliers to ensure that anecdotal information falls in line with the estimates.

Commissioner Richard said the information in the STAR report is not broken down into tracks, which would be helpful. Mr. Geiogamah explained that the TDC receives the entirety of the report. The inventory was put together some time ago, and it might be time to review the list to see if any additions could be made. Commissioner Richard noted that the Rubicon Report is a new resource that shows the booking pace of a given market. It reveals the type of group compression that is taking place, and indicates future trends.

d. Manager's Update

Mr. Geiogamah reported that City Council would receive a report on the premium trolley during their February 15 meeting. The SCVB contract amendment will be presented on February 22 in order to allow the SCVB to receive an additional \$735,000. Ms. Guillory explained that the additional funds are related to an increase in the estimate. Ms. Sacco added that the proforma was changed, but the CVB cannot receive the money until the contract is amended. Mr. Geiogamah said the CVB is requesting that additional funds be allocated toward next fiscal year. Ms. Sacco explained that since media buys are handled so far in advance, the money is being allocated where it would do the most good. Commissioner Richard inquired about the risk of losing the funds if they are not carried over. Mr. Stewart said bed tax is one of the few things that can be carried forward in the City budget.

Mr. Geiogamah reported that on March 8 the boards and commissions will meet with City Council to summarize their annual reports. In response to an inquiry from Chairwoman Birchler, Mr. Geiogamah explained that the meeting is intended for informational purposes. Commissioners are invited to attend, but their presence is not required.

4. Tourism Development Commission Annual Report

COMMISSIONER RICHARD MOVED TO APPROVE THE TDC ANNUAL REPORT AS PRESENTED. COMMISSIONER GLENN SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

5. Tourism Development Commission Proposed Bylaws Update

Mr. Geiogamah stated that the 2009 Board and Commission audit report recommended increased consistency in Board and Commission bylaws. The audit report stated that the purpose of the commission or board refer directly back to the ordinance and the City Code. In light of that, staff made some adjustments to the current TDC bylaws to reference directly Ordinance 2049, and City Code 2-285. The TDC will consider these changes during their March meeting.

6. 2011 General Plan Update

Ms. Wilhelme, the project manager for the 2011 General Plan Update, said the draft plan is now available for public review and comment. She invited feedback from the Commissioners. In response to an inquiry from Vice Chairman Surguine, Ms. Wilhelme explained that Richard Bibee was the TDC representative on the General Plan Working Group, which met from January to September 2010.

Ms. Wilhelme stated that Tourism is very well represented in the 2011 General Plan. In the late 1990s, a series of large-scale visioning efforts revealed four dominant themes and six guiding principles. One of the four dominant themes is resorts and tourism. Tourism is recognized in the vision statement, in the values, and throughout the goals

and policies portion of the document. The City's land use decisions relate directly back to tourism in some way. The City is proposed to be at a minimum 40% open space, recognizing that open space provides a big draw for tourism and contributes to the high quality of life. She explained that the 2011 General Plan is more streamlined than the 2001 version. Redundancies were eliminated, and the vision statement was strengthened.

Vice Chairman Surguine said he did not see anything in the values that referenced tourism. Ms. Wilhelme explained that references are balanced throughout the document. Tourism is mainly referenced in the Economic Vitality element, which has been strengthened and revamped. There were some heated discussions on what to do with the land around the Preserve. Should it be for rural neighborhoods, resorts, or some other purpose?

Ms. Wilhelme said a series of work-study sessions with the Planning Commission will be held in March and April, and they will ultimately recommend the document to City Council. The General Plan then goes through a public hearing process from April through October, as mandated by the State. The Planning Commission will review it again in August for a recommendation. It will then go before the City Council for adoption at the end of October. If adopted, the plan goes on the ballot for ratification in the fall of 2012. If it does not pass, the General Plan of 2001 would remain in place until a new plan is approved.

Commissioner Richard inquired about the controversy over the land around the Preserve. Ms. Wilhelme responded that some people want to see the land remain rural, whereas others felt that commercial use around the Preserve would not be a bad thing if done appropriately. The Working Group felt that resorts should be allowed to build along the Preserve. Most of the current land use along the Preserve is rural neighborhood, or suburban. Commissioner Richard inquired about sustainability and its connection to tourism. Ms. Wilhelme said the two are connected. The document recognizes that tourism is very important to the economic vitality of the city. A policy was added to explore ecotourism.

7. Tourism Program Development Subcommittee Update

Mr. Geiogamah reviewed that the Subcommittee recommended that the five-year strategic plan address short-term and long term tactics. The Subcommittee recommended that the report:

- Identify competitor destinations
- Identify potential customers who are not currently being targeted
- Identify emerging group markets
- Determine how to best deploy resources within the Tourism Program

Chairwoman Birchler stated that the new plan is a tweaked version of the 2005 plan. Much recent activity has had to focus on short-term goals. The document will be used by the TDC to plan agendas and focus the Commission's efforts. Mr. Geiogamah inquired whether there was a continued need for identifying social media resources. Ms. Sacco felt that more information is always helpful.

Mr. Geiogamah said the Subcommittee recommended a work-study session with City Council. The goal is to get a meeting scheduled in late March or April, but the timing could be difficult because of the current budget discussions. If that is not possible, the first date that might be open is in June. Another option is to create a report for Council for presentation at a Council meeting. Chairwoman Birchler felt it would be more important to get feedback from City Council, than simply providing them with more information. A work session is an opportunity for real dialogue. June is a long way off, and such a late date would defeat the purpose of discussing the budget for the next fiscal year. Tourism has to be part of the budget conversation, particularly capital projects and how they are funded.

Mr. Geiogamah said next steps will be to identify proposed agenda items to be discussed at the work-study session. The TDC subcommittee plans to meet in the next few weeks to identify them. Chairwoman Birchler noted that the Subcommittee was renamed the Tourism Program Development Subcommittee, and the 50% portion of the bed tax not allocated to marketing should be referred to similarly. Commissioner Richard suggested the name Tourism Facilities and Program Development Subcommittee. The Commissioners agreed by consensus. Mr. Geiogamah said staff will arrange individual meetings between Commissioners and Council Members once a work study date is determined.

Mr. Geiogamah said the Subcommittee also discussed moving beyond the Matching Event Advertising Fund Program. Staff is identifying objectives and criteria for a new program. One idea is for a tiered program incorporating legacy events, mid-level events, and new events. The goal is to have a new program in place by May in time for the next fiscal year.

Chairwoman Birchler requested a list of action items that the TDC could review at each meeting to ensure the group stays on task. Mr. Geiogamah said it would be added to the Manager's Report beginning in March. Once City Council identifies the new members of the WestWorld Subcommittee, the TDC would receive updates on their meetings.

8. Preliminary FY2011/12 Destination Marketing Program Objectives

Mr. Geiogamah stated that the current projection for next fiscal year is \$12.2 million, of which about \$6.1 million would be allocated to the CVB for destination marketing. In addition, \$735,000 will be carried over to the next fiscal year.

Ms. Sacco said the CVB team is fully engaged in preparing for next year. The most current VICA data is being analyzed for visitation trends to determine where the biggest return on investment will be. The next budget will likely make a heftier investment in media and sales. The CVB is analyzing the performance of its new TV commercials, and is prepared to make adjustments as necessary.

Vice Chairman Surguine said the additional money is significant. In addition to continuing the programs of recent years, he would like to see new initiatives that have not been tried before. Ms. Sacco said the VICA data would help identify new markets.

The Pacific Northwest, for example, is showing promising signs. Commissioner Richard encouraged a strong focus on the youth sports market, particularly during shoulder periods. This ties into the conversation on land use near the Preserve. The CVB should determine whether they need more staffing to support special events and new markets.

In response to an inquiry from Commissioner Bailey, Commissioner Richard explained that the youth sports market has huge potential. Youth sports drove about 18,000 room nights into the market. Reach 11 in Phoenix brings in all types of groups that fill up the nearby limited service hotels. Tucson has a dedicated salesperson to focus on these types of events, even though the Valley has better facilities to offer. Scottsdale usually focuses on the resort sector, but also has a gamut of limited service hotels that would really benefit from the youth sports business.

Vice Chairman Surguine noted that Phoenix has a City Council Member who champions youth sports. Locals use the sports facilities, but in order to attract national youth sports groups, they have to be willing to provide space far in advance. Scottsdale will have to consider its willingness to occasionally sacrifice local user access to boost tourism. He recommended that the TDC take a closer look at this issue. Commissioner Bailey felt that locals would buy into the idea once they realize the benefits of increased tourism.

Commissioner Glenn inquired about the CVB's international marketing effort. Ms. Sacco responded that the CVB had been extremely aggressive internationally, until the last three years when the budget was cut back drastically. The Scottsdale CVB has maintained a presence at all of the major international shows, and is often left carrying the banner for the entire state. The CVB has also maintained its relationships with representatives, but the number of international missions has been cut back. One goal for the next fiscal year is to mine markets in Germany and the United Kingdom. The CVB is considering allocating more money to the international effort.

Vice Chairman Surguine inquired about the marketing effort in Mexico, and how SB 1070 and border controversies have impacted it. Ms. Sacco said the CVB returned from a major show in Mexico recently. There is more understanding now about SB 1070. When the CVB explains that the bill has not been enacted yet, and may never be, it comes down to realizing that little has changed other than political rhetoric. It was refreshing to see that many are willing to travel to Arizona. The market has been tremendously impacted by the controversy, and the perceptions are slowly being repaired. The CVB is exploring ways to potentially increase the marketing effort in Mexico. It is difficult to get a real gauge on tourism from Mexico, because many people book through U.S. agencies, and it shows up as a domestic trip.

Vice Chairman Surguine said the Canada market is very hot. Ms. Sacco stated that the CVB has tremendously increased its marketing effort in Canada, but VICA data will not be available until next year. Anecdotally, the bookings and retail capture from Canada have been huge. With the exception of Montreal, the lift has been tremendous. The CVB is working with carriers in Montreal to increase promotion for the coming season.

Commissioner Richard said the biggest international growth market is China, which will far surpass any other source very soon. Scottsdale has to develop a plan for this eventuality. Hawaii has benefited enormously from the Australian market recently, and Scottsdale should also look into this. Ms. Sacco noted that the CVB is meeting with a

group from Hainan, China, strategizing ways to develop Scottsdale tourism, particularly in the golf market. Chile is another opportunity. Without Arizona's support, it is difficult for Scottsdale to operate alone. The CVB is working with the State to leverage their money for international marketing, while Scottsdale would provide heavy lifting for domestic marketing.

9. Scottsdale Convention and Visitors Bureau Mid-Year Review

Mr. Geiogamah reported that the mid-year performance of the CVB looks good. Most measures have exceeded the mid-year target of 50%, and in some cases far exceeded them. Travel industry sales YTD established 81.3% of its goal. Marketing is also doing well, exceeding the performance goal by 120%. Event impression values lags behind at 25%, but the majority of events are in the second part of the year, and this indicator should catch up quickly in the next two to three months. Commissioner Bailey said downtown businesses are pleased with the CVB's effort to draw business into downtown.

10. Lodging Performance

Mr. Geiogamah reviewed data from the 2009 Lodging Report, which takes a look at ten other destinations similar to Scottsdale, and measures lodging and performance associated with key indicators. Communities evaluated include Tucson, Santa Fe, Naples, FL, Durango, Hawaii, San Antonio, San Diego, La Jolla, and Palm Springs. Demand exceeded 100% in Hawaii, San Diego, La Jolla, and San Antonio. Scottsdale's RevPar rate decreased to sixth in the past year. The market share for Scottsdale increased in 2009 for the first time since 2005. The list of comparative destinations will be re-evaluated in time for the next study.

Mr. Geiogamah inquired whether the TDC found the report useful. Commissioner Glenn inquired about the qualifications for defining a comparable destination. Mr. Geiogamah said the list was put together in 2005 based on the work of a consultant. There is a need to revisit it. The strategic plan aims to build a benchmark for identifying further competitors. Commissioner Glenn said comparable destinations should be studied to learn about their vision and marketing plan. Vice Chairman Surguine suggested that there could be two competitive sets, one for the group side of the industry, and one for the leisure side. Commissioner Richard said seasonality also plays a role.

Vice Chairman Surguine noted that whenever there is a downturn in the economy, Scottsdale seems to be impacted more than other markets. Should Scottsdale do something to prepare for the next time? Commissioner Richard said part of the problem lies with Scottsdale's lack of diversity in the market mix. Ms. Sacco suggested an advisory group to discuss this in greater detail in preparation for the five-year strategic plan. How can a crisis plan be deployed quickly in an emergency? Vice Chairman Surguine said arrogance is the greatest risk to the industry and the city, and this has to be factored into any plan. Ms. Sacco agreed that the destination could not rest on its laurels. It is too easy to become complacent.

Vice Chairman Surguine said Scottsdale cannot continue to assume that visitors from China, Korea and Japan are going to come here and love it because of the weather and the desert. The destination must reevaluate its user-friendliness, especially to visitors from very different cultures. Commissioner Glenn suggested taking a look at other destinations that have successfully navigated that transition, rather than trying to reinvent the wheel. Commissioner Bailey said the Arizona International Growth Group (AZIGG) works with corporations that are moving here and is experienced in talking about cultural differences.

11. Identification of Future Agenda Items

No further agenda items were proposed.

12. Public Comment

There were no public comments.

13. Adjournment

The meeting adjourned at 9:41 a.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.